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AGENDA ITEM 4

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Annual Legislative Report - Holocaust Era and Northern Ireland
- II. PROGRAM:** Public Markets
- III. RECOMMENDATION:** Approve Holocaust Era and Northern Ireland Reports for Transmittal to the Legislature
- IV. ANALYSIS:**

Background

This agenda item seeks approval to submit to the California Legislature the annual Holocaust Era and Northern Ireland Reports, and to forward letters to companies identified in the reports as having unresolved claims or otherwise requiring corrective action.

Chapter 216, Statutes of 1999 (representing uncodified law), requires CalPERS to monitor and annually report on investment holdings in companies and their affiliates that do business in California and that owe compensation to victims of slave or forced labor during World War II.

Government Code 7513.5 requires CalPERS to investigate and annually report to the Legislature on the extent to which United States and international corporations operating in Northern Ireland, in which CalPERS assets are invested, are adhering to the principles of nondiscrimination in employment and freedom of workplace opportunity in compliance with the laws of Northern Ireland.

CalPERS has contracted with Institutional Shareholder Services (ISS), a division of MSCI Inc., (formally known as RiskMetrics) for extensive monitoring and creation of reports on these topics. CalPERS staff then uses these reports to

prepare the annual legislative reports. Complete copies of each report are available to the Committee upon request.

Summary

Attachment 1 is a table of CalPERS investments currently facing lawsuits or being accused for using forced labor, subject to the provisions of the Holocaust Era legislation (Chapter 216, Statutes of 1999).

Attachment 2 contains CalPERS holdings of publicly traded U.S. and Non-U.S. companies operating in Northern Ireland, subject to the Northern Ireland legislation (Government Code 7513.5).

Attachment 3 is the MSCI Inc., Summary Report to CalPERS on forced or slave labor, which notes that CalPERS investment in companies that are facing lawsuits over their use of forced or slave labor during World War II. The report identifies six companies in the CalPERS portfolio that are currently facing lawsuits filed in Japan over their alleged use of Chinese or Korean civilians as forced laborers.

Attachment 4 is the MSCI Executive Summary of 2010 Survey and Findings, which provides information on CalPERS portfolio companies with operations in Northern Ireland, relating to workforce composition, fair employment policies and practices (including MacBride Principles), and alleged formal discrimination complaints. The report identifies seven companies in the CalPERS portfolio that have repeatedly received formal discrimination grievances (defined as receiving more than one formal complaint that is still pending).

Attachment 5 is a sample of the annual letter sent to companies identified in the Holocaust Era Report that are currently facing lawsuits in Japan over their use of Chinese or Korean civilians as forced laborers. The current companies are: Kajima Corporation, Mitsubishi Corp., Taisei Corp., Tobishima Corp., Mitsubishi Materials, and Mitsui Mining and Smelting.

Attachment 6 is a sample of the annual letter sent to companies identified in the Northern Ireland Report that have repeatedly received formal discrimination grievances. The current companies are: Bombardier Inc., Compagnie Generale des Etablissements Michelin, Danske Bank A/S, Japan Tobacco, Nortel Networks Corporation, Thales SA, and Wincanton Plc.

Attachments 7 and 8 are sample letters to be sent to the Legislature with complete copies of the 2010 Holocaust Era and Northern Ireland Report.

Once the Committee approves the reports, staff will write to the Legislature and the abovementioned companies, in addition to posting the reports on CalPERS website.

V. STRATEGIC PLAN:

This is not a product of the Strategic Annual Plan.

VI. RESULTS/COSTS:

The cost of services from ISS to compile these reports is \$50,440.

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